

The Maximum Allowable Offer

Hey guys, welcome back to the course. Earlier, we started off with the ARV, After Repair Value.

In this lecture, we're going to go over the MAO, or the Maximum Allowable Offer why they're both super important when you're looking at a wholesaling deal.

If we think of the ARV as the starting point, we can think of the MAO as the ending point in your analysis.

That is, we want to always start our analysis with the ARV, and then work our way to arriving at the MAO.

Now there are some steps in the middle that we'll cover when we go over the formula that all wholesaling investors use.

But first, what is the MAO? As the obvious name might suggest, this is the MOST you should offer for that deal.

When you do this right and have a MAO that is accurate, you can then always confidently make offer on deals and know that you're in good shape.

Get this wrong, however, and you could lose money in one of two ways.

If you consistently miss the MAO but overestimating, then you risk making bad offers on deals that end up costing you time and money. You might get stuck with something that you can't sell to an investor, without potentially losing money.

On the flip side if you consistently miss the MAO by underestimating, then you risk missing out on good deals by having offers that aren't competitive. You will get outbid by other wholesalers.

So the key to making the right offer is calculating the right MAO.
So how do we get from the ARV to the MAO?

Well, we'll need to look at the following items: Investor's Desired Profit, Cost of Rehab, Your Desired Profit (aka wholesaling fee), among other things.

In the next lecture, we'll go over all we factor all these things into our analysis to go from the ARV to the MAO